CANRON LIMITED ANNUAL REPORT 1970

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HIGHLIGHTS

	1970	1969
	(Thousands of dollars)	
Sales	**$176,698**	$138,088
Net Earnings	**$ 2,533**	$ 3,003
Shareholders' Equity	**$ 39,400**	$ 39,485
Bank Advances and Long-Term Debt	**$ 53,343**	$ 46,360
Working Capital	**$ 26,282**	$ 27,097
Capital Expenditures	**$ 2,767**	$ 2,801
Depreciation	**$ 4,134**	$ 3,217
Earnings per Common Share (dollars)	**$ 0.98**	$ 1.17
Cash Flow per Common Share (dollars)	**$ 2.75**	$ 2.58
Dividends per Common Share (dollars)	**$ 1.00**	$ 1.00
Book Value per Common Share (dollars)	**$ 15.05**	$ 15.07
Net Earnings as % of Sales	**1.4%**	2.2%
Net Earnings as % of Common Shareholders' Equity	**6.5%**	7.8%

Annual meeting:

The fifty-fifth annual general meeting of Shareholders will be held in Salon Viger, Château Champlain Hotel, Montreal, Quebec, on Wednesday, April 7, 1971, at 11:00 a.m.

Si vous préférez recevoir ce rapport annuel en français, prière d'en aviser le secrétaire de Canron Limitée, 1121 Place Ville Marie, Montréal 113, Qué.

Head Office:

1121 Place Ville Marie,
Montreal 113, Que.

Transfer agents:

Montreal Trust Company, Montreal, Toronto, Halifax, Winnipeg, Vancouver.

Registrar:

The Royal Trust Company, Montreal, Toronto, Halifax, Winnipeg, Vancouver.

Directors

D. W. AMBRIDGE
Honorary Chairman, Abitibi Paper Company Limited, Toronto

R. J. BAILIE
Executive Vice-President, Canron Limited, Montreal

W. J. BENNETT
President, Iron Ore Company of Canada, Montreal

R. K. CARTY
Executive Vice-President, Canron Limited, Montreal

J. S. DINNICK
Chairman of the Board, McLeod, Young, Weir & Co., Ltd., Toronto

J. C. GILMER
President and Chief Executive Officer, Canadian Pacific Air Lines, Limited, Vancouver

C. L. GUNDY
Chairman, Wood Gundy Securities Limited, Toronto

J. G. KIRKPATRICK, Q.C.
Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, Montreal

H. J. LANG
Chairman and President, Canron Limited, Montreal

J. C. LESSARD
President, Standards Council of Canada, Montreal

M. W. MACKENZIE
Vice-Chairman, Canron Limited, Montreal

A. D. McCALL
Chairman, Drummond, McCall & Co. Ltd., Montreal

Honorary Directors

ROSS CLARKSON

H. E. McKEEN

A. D. McCALL H. J. LANG

C. L. GUNDY W. J. BENNETT

M. W. MACKENZIE C. PERRAULT R. K. CARTY

F. H. SHERMAN J. C. GILMER

CANRON

C. PERRAULT
President, Conseil du Patronat du Québec, Montreal

F. H. SHERMAN
President and Chief Executive Officer, Dominion Foundries and Steel Ltd., Hamilton

D. W. AMBRIDGE J. G. KIRKPATRICK, Q.C. J. S. DINNICK J. C. LESSARD R. J. BAILIE

Officers

H. J. LANG
Chairman and President

M. W. MACKENZIE
Vice-Chairman

*R. J. BAILIE
Executive Vice-President

R. K. CARTY
Executive Vice-President

P. M. DRAPER
Vice-President and Secretary

W. S. CULLENS
Group Vice-President

F. E. MILLER
Group Vice-President

C. M. THOMSON
Group Vice-President

I. C. FERRIER
Vice-President

D. J. LaFONTAINE
Vice-President

M. D. CALDER
Controller

W. D. MONCUR
Treasurer

A. Y. MITCHELL
Assistant Secretary

*Retired February 1, 1971

Directors' Report to the Shareholders

This is the fifty-fifth annual report on the affairs of Canron Limited. The year 1970 saw some new operating records achieved, the company expanded product lines that hold good promise for the future, but it was not without some offsetting disappointments. In many ways it was a difficult year but in the light of all the circumstances the final results are, in the view of your directors, reasonably satisfactory.

Net earnings from operations, before extraordinary items, rose from 97¢ a share in 1969 to $1.05 a share in 1970. However, in 1969 a special item of income increased the net profit for the year to $1.17 a share while in 1970 a loss on exchange due to the unpegging of the Canadian dollar, reduced the final net earnings for the year to 98¢ a common share. The regular preferred share dividends plus four quarterly common share dividends of 25¢ each were distributed to shareholders during the year.

Consolidated sales were $177 million in 1970, far exceeding the highest level of past years. The acquisition of Matisa Matériel Industriel, S. A. late in 1969 and Warren Pipe in 1970 was the major reason for the increase and raised the sales of foreign subsidiaries to $45 million. Exports from Canadian operations at approximately $18 million were also considerably higher than previously recorded. It is interesting to note that approximately one-third of the company's sales were made outside Canada.

The margin of profit on sales was reduced somewhat from the previous year following the general trend in most of the capital goods industries in Canada. Modest increases in selling prices of products did not keep pace with the rise in costs. A three-month strike at the Lachine plant, expenditures for the introduction of new products and extensive technical and operating problems with an export order for fabricated steel at the Vancouver plant, caused a substantial reduction in net earnings. In addition, a series of start-up delays at the newly-constructed Napanee plant, accompanied by a drastic fall-off in demand for electric appliance motors, further depressed profits. However, the majority of the company's divisions had a good year.

Capital expenditures of three million dollars were made to improve operating efficiency and to install anti-pollution equipment. A slightly higher level of capital expenditures is planned for 1971.

The $86 million backlog of orders at the beginning of the year remained relatively constant during the year and stood at $88 million at year-end. This business is all scheduled for completion in 1971. One large structural steel contract valued at approximately $10 million was booked just after the turn of the year and is therefore not included in the above figures. It will be processed in stages over four or five years. A reasonably strong demand for the company's products is expected in 1971 although a significant improvement in the general level of expenditures for machinery, equipment, and plant expansion in Canada is not likely before the second half of the year.

Many of the unusual problems which adversely affected earnings in 1970 are resolved. Upon the completion of some big contracts early in 1971, in which there has been a large amount of capital invested, the company's total investment and the resulting financial charges will be materially reduced. The present outlook indicates encouraging prospects for improved sales and earnings in 1971.

Changes were made in the management structure of the company in response to the needs of a growing organization with widely dispersed manufacturing locations. We now have twenty plants in Canada, four in the United States, four in Europe and one in Australia. Three operations vice-presidents have been appointed, reporting to R. K. Carty, Executive Vice-President: F. E. Miller, Group Vice-President, Pipe and Foundry; W. S. Cullens, Group Vice-President, Structural Steel; C. M. Thomson, Group Vice-President, Machinery and Equipment. After many years of outstanding service, and following an extended illness, R. J. Bailie, Executive Vice-President, Operations, and a director of the company, elected to retire for reasons of health on February 1, 1971. His energy, counsel, and experience will be greatly missed by his many friends and colleagues in the company. The vacancy on the Board was filled by J. D. Houlding, President, RCA Limited.

The year's results were, as always, made possible by the conscientious efforts of the members of the staff at all levels in the organization to whom we extend our sincere appreciation.

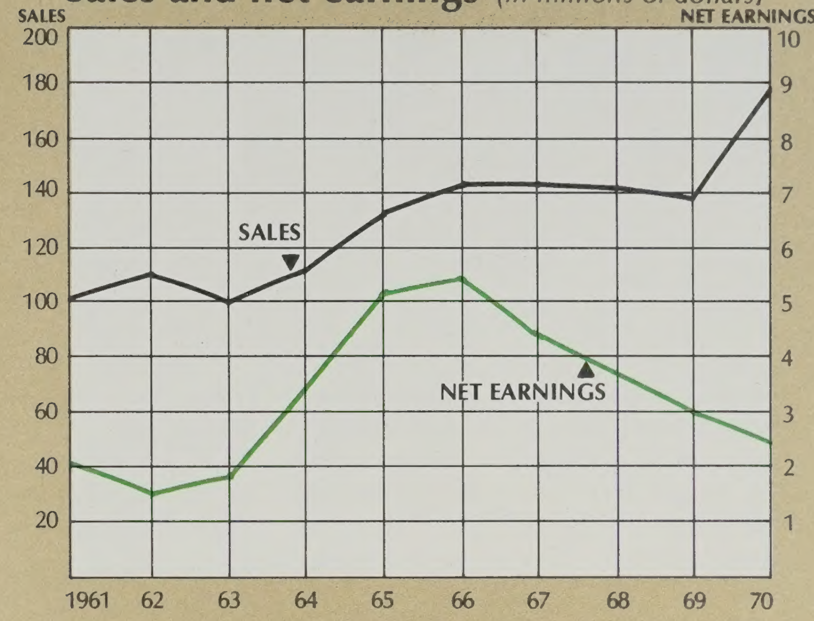
On behalf of the Board,

H. J. Lang

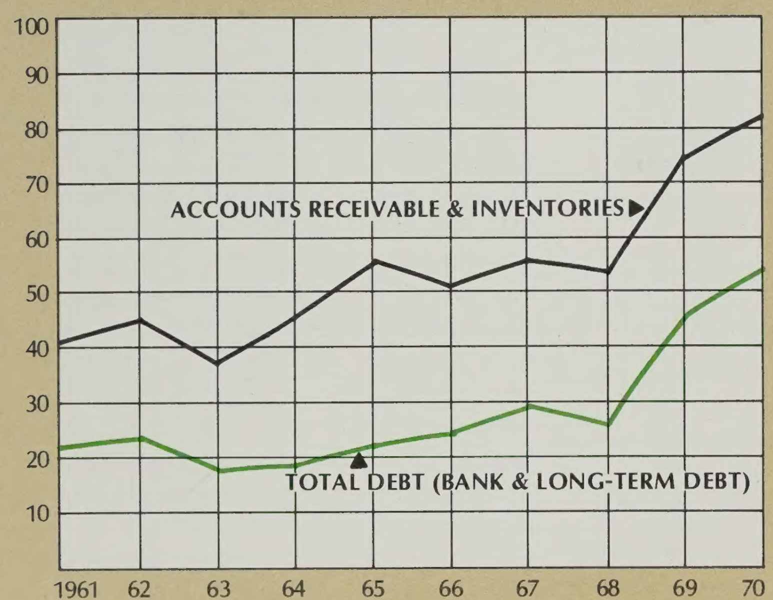
Chairman and President

Montreal, Que.,
March 15,1971

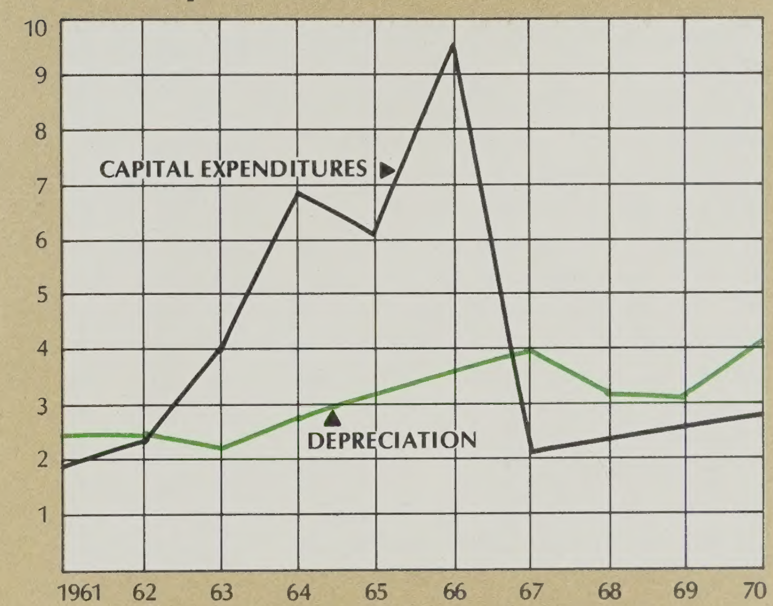
Sales and net earnings *(in millions of dollars)*



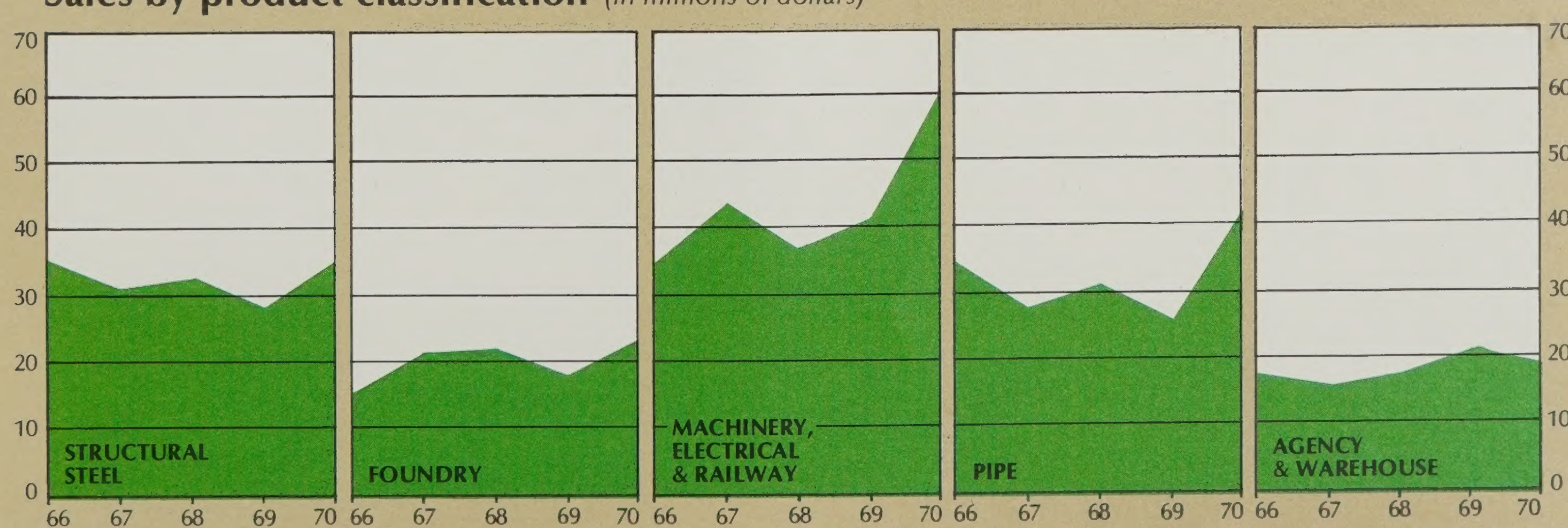
Accounts receivable, inventories and total debt *(in millions of dollars)*



Capital expenditures and depreciation *(in millions of dollars)*



Sales by product classification *(in millions of dollars)*



Finance

Net earnings before extraordinary items totalled $2,713,000 in 1970 compared with $2,510,000 in 1969. However, an extraordinary loss of $180,000 due to the unpegging of the Canadian dollar reduced final net earnings to $2,533,000 in 1970, while an extraordinary profit on the sale of properties increased final net earnings to $3,003,000 in 1969.

Dividends of $84,000 were paid on the 4¼% preferred shares, and four quarterly common share dividends of 25¢ each, totalling $2,490,000, were distributed to shareholders during the year.

The company's sales increased by 28% to $176,698,000 in 1970 from $138,088,000 in 1969. The sales and profits of the company's Swiss subsidiary, Matisa Matériel Industriel, S.A., were included for the first time in 1970. This subsidiary was acquired late in 1969 and only its assets and liabilities were consolidated in the December 1969 figures. In May 1970 the company acquired current assets, fixed assets and the business of the Warren Pipe Division of Shahmoon Industries. Warren's sales and profits for the last eight months of 1970, and its assets and liabilities at year end, have been included in 1970 financial statements.

Costs rose at a slightly higher rate than sales, two of the principal factors being a substantial increase in the cost of borrowed money and the strike at the Lachine plant.

Income taxes were provided at a consolidated rate of 44% on net earnings before taxes. This was the same as the 1969 rate.

The increase in net fixed assets to $40,987,000 reflects normal capital additions less disposals of $2,767,000 and the fixed assets of $7,629,000 acquired with Warren Pipe. Depreciation charged to operations amounted to $4,134,000, considerably higher than the $3,217,000 charged in 1969. The sale of property in Everett, Massachusetts, which formed part of the asset package acquired with Warren Pipe and which was surplus to requirements, is being negotiated now and when completed will return a sizeable amount of cash to the company.

In spite of the large increase in sales, both the receivables and inventories grew only moderately. This was partly because Matisa's assets were included in last year's figures but the sales were not consolidated until this year. It also reflects, however, a good measure of success in our efforts to reduce investment in these critical areas. Receivables increased by $1.5 million to $38,452,000. The bad debt experience remained low. Work in process inventory in 1970 increased by $17.6 million but was largely offset by a $12.7 million increase in progress billings. These increases were caused by large jobs in the backlog which stood at a record $88 million at December 31, 1970. In total the $3.1 million increase in inventories is reasonable with the sales growth. The net effect of the changes in working capital was a decrease of $815,000.

Current bank loans showed an increase to $23,148,000 from $21,111,000, term bank loans to $8,091,000 from $2,081,000, and other long-term loans decreased to $22,104,000 from $23,168,000 as reported in the schedule of long-term debt. The cost of borrowed money increased substantially for the second consecutive year, due to higher borrowings and higher rates. The company's interest rate averaged 8.4%, approximately 0.6% higher than 1969 and 1.6% higher than 1968. One of the aspects of higher interest rates was that discounts were obtained on the purchase on the open market, for retirement and sinking fund purposes, of 4¼% preferred shares and debentures.

CONSOLIDATED STATEMENT OF EARNINGS
for the year ended December 31, 1970

CANRON LIMITED
and subsidiary companies

	1970	1969
	(Thousands of dollars)	
SALES	**$176,698**	$138,088
COSTS AND EXPENSES		
Cost of sales, selling and administrative expenses	**165,395**	128,340
Remuneration of directors (note 6)	**29**	29
Remuneration of officers (note 6)	**554**	463
Interest on long-term debt	**1,645**	1,424
Amortization of debenture discount	**34**	36
Amortization of patents	**238**	251
Depreciation of property, plant and equipment	**4,134**	3,217
	172,029	133,760
	4,669	4,328
OTHER INCOME		
Income from investments	**13**	15
Profit on disposal of fixed assets and investments	**–**	113
Profit on redemption of preferred shares and debentures	**164**	39
	177	167
	4,846	4,495
INCOME TAXES	**2,133**	1,985
EARNINGS BEFORE EXTRAORDINARY ITEMS	**2,713**	2,510
EXTRAORDINARY ITEMS (note 7)	**(180)**	493
NET EARNINGS FOR THE YEAR	**$ 2,533**	$ 3,003
EARNINGS PER COMMON SHARE		
Earnings before extraordinary items	**$1.05**	$0.97
Net earnings for the year	**$0.98**	$1.17

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the year ended December 31, 1970

	1970	1969
BALANCE—BEGINNING OF YEAR	**$ 28,968**	$ 28,541
Net earnings for the year	**2,533**	3,003
	31,501	31,544
Dividends—		
On 4¼% preferred shares	**84**	86
On common shares	**2,490**	2,490
	2,574	2,576
BALANCE—END OF YEAR	**$ 28,927**	$ 28,968

See accompanying notes on pages 12 and 13

CONSOLIDATED BALANCE SHEET
as at December 31, 1970

Assets	1970	1969
	(Thousands of dollars)	
CURRENT ASSETS		
Cash	**$ 1,088**	$ 855
Accounts receivable	**38,452**	36,979
Inventories (note 2)	**42,445**	39,325
Prepaid expenses	**531**	511
Total current assets	**82,516**	77,670
FIXED ASSETS (note 3)		
Property, plant and equipment—at cost	**88,392**	78,923
Accumulated depreciation	**47,405**	44,198
	40,987	34,725
OTHER ASSETS		
Deferred receivables	**2,048**	2,503
Patents—at cost less amortization	**2,098**	2,336
Unamortized debenture discount	**390**	424
	4,536	5,263
	$128,039	$117,658

Signed on behalf of the Board

H. J. Lang, Director

M. W. Mackenzie, Director

Liabilities	1970	1969
	(Thousands of dollars)	
CURRENT LIABILITIES		
Bank advances	**$ 23,148**	$ 21,111
Accounts payable and accrued liabilities	**28,799**	24,427
Dividends	**643**	644
Income taxes	**854**	1,142
Long-term debt maturing within one year	**2,790**	3,249
Total current liabilities	**56,234**	50,573
DEFERRED INCOME TAXES (note 4)	**5,000**	5,600
LONG-TERM DEBT—not maturing within one year (see schedule)	**27,405**	22,000
	88,639	78,173

Shareholders' Equity

PREFERRED SHARES (note 5)		
Authorized— 100,000 preferred shares of $100 par value		
Issued and fully paid— 19,339 4¼% cumulative convertible redeemable preferred shares 1956 series	**1,934**	1,978
COMMON SHARES		
Authorized— 6,000,000 common shares of no par value		
Issued and fully paid— 2,489,622 common shares	**8,539**	8,539
RETAINED EARNINGS	**28,927**	28,968
	39,400	39,485
	$128,039	$117,658

See accompanying notes on pages 12 and 13

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1970

	1970	1969
	(Thousands of dollars)	
FUNDS WERE PROVIDED FROM:		
Net earnings for the year	**$ 2,533**	$ 3,003
Depreciation and amortization charges not requiring the outlay of funds	**4,406**	3,504
	6,939	6,507
Increase in long-term debt	**8,195**	5,168
	15,134	11,675
FUNDS WERE APPLIED TO:		
Fixed assets—		
Net additions	**2,767**	2,801
Additions arising from acquisition of subsidiaries	**7,629**	6,625
Deferred income taxes	**600**	500
Long-term debt maturing within one year	**2,790**	3,249
Par value of preferred shares redeemed	**44**	73
Increase (decrease) in deferred receivables	**(455)**	1,497
Dividends on preferred and common shares	**2,574**	2,576
	15,949	17,321
DECREASE IN WORKING CAPITAL	**815**	5,646
WORKING CAPITAL—BEGINNING OF YEAR	**27,097**	32,743
Decrease in working capital	**815**	5,646
WORKING CAPITAL—END OF YEAR	**$ 26,282**	$ 27,097

See accompanying notes on pages 12 and 13

SCHEDULE OF LONG-TERM DEBT

as at December 31, 1970

CANRON LIMITED
and subsidiary companies

	1970	1969
	(Thousands of dollars)	
DEBENTURES		
4½% sinking fund debentures due August 1, 1973 Sinking fund requirements— $12,500 to $50,000 on August 1, 1969 to 1972	$ 723	$ 737
6¼% sinking fund debentures, series "C" due October 15, 1977 Sinking fund requirements— $375,000 on October 15, 1958 to 1976	2,625	3,000
5½% sinking fund debentures due December 15, 1983 Sinking fund requirements— $50,000 on December 15, 1974 to 1982	1,250	1,250
6¾% sinking fund debentures, series D due May 15, 1987 Sinking fund requirements— $600,000 on May 15, 1970 to 1979 $800,000 on May 15, 1980 to 1986	14,400	15,000
	18,998	19,987
BANK LOANS		
Term bank loans due in equal annual instalments from 1971 to 1975	8,091	2,081
MORTGAGES		
5½% first mortgage due December 1977	1,745	1,785
5¾% second mortgage due July 1979	1,100	1,100
3%—5¾% mortgage loans due 1973 to 1990	261	296
	3,106	3,181
	30,195	25,249
LONG-TERM DEBT		
Maturing within one year	2,790	3,249
Not maturing within one year	27,405	22,000
	$ 30,195	$ 25,249

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1970

1. PRINCIPLES OF CONSOLIDATION

(a) The consolidated financial statements include the accounts of all subsidiaries.

(b) The accounts of foreign subsidiaries have been translated from other currencies as follows:
Current assets and liabilities at rates of exchange at the balance sheet date; long-term assets and liabilities and shareholders' equity at rates of exchange applicable at the time of acquisition or when the debt was incurred; income and expenses other than depreciation and amortization at the average rates of exchange during the year.

2. INVENTORIES

The inventories are valued at the lower of cost or net realizable value and comprise:

	1970	1969
Finished products	**$13,696,163**	$14,239,481
Work-in-process	**35,876,008**	18,311,115
Raw materials and supplies	**16,903,395**	18,127,216
	66,475,566	50,677,812
Less: Progress billings	**24,030,917**	11,352,844
	$42,444,649	$39,324,968

3. PROPERTY, PLANT AND EQUIPMENT

	1970			1969
	Cost	**Accumulated depreciation**	**Net**	Net
Land	**$ 4,120,709**	**$ —**	**$ 4,120,709**	$ 3,755,978
Buildings	**29,666,494**	**13,303,313**	**16,363,181**	15,203,624
Machinery and equipment	**54,604,319**	**34,101,663**	**20,502,656**	15,765,020
	$88,391,522	**$47,404,976**	**$40,986,546**	$34,724,622

4. DEFERRED INCOME TAXES

This is made up as follows:

	1970	1969
Accelerated depreciation	**$ 2,513,000**	$ 2,810,000
Other, including holdbacks and inventories relating to contracts in progress	**2,487,000**	2,790,000
	$ 5,000,000	$ 5,600,000

5. PREFERRED SHARES

During the year, preferred shares of a par value of $44,500 were redeemed. The retained earnings include an amount of $2,341,600 which has been set aside as required by the Canada Corporations Act, equal to the par value of the preferred shares redeemed to date.

The conversion privilege of the 4¼% cumulative convertible redeemable preferred shares 1956 series has terminated.

6. EXECUTIVE REMUNERATION

In 1970 and 1969 there were fourteen directors. In 1970 there were twelve officers, four of whom were directors, and in 1969 there were ten officers, five of whom were directors.

7. EXTRAORDINARY ITEMS

Extraordinary items comprise:

1970 – Loss of $263,000 on foreign exchange due to unpegging of Canadian dollar, less income tax reduction of $83,000.

1969 – Net gain on property sold following the closing of three plants during the year.

Auditors' report to the shareholders: February 16, 1971

We have examined the consolidated balance sheet of Canron Limited and subsidiary companies as at December 31, 1970 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.

Chartered Accountants

Ten-year Review

(Thousands of dollars)

	1970	1969	1968	1967
Sales	**$176,698**	$138,088	$141,042	$142,011
Income Taxes	**$ 2,133**	$ 1,985	$ 3,190	$ 4,230
Net Earnings	**$ 2,533**	$ 3,003	$ 3,703	$ 4,402
Preferred Share Dividends	**$ 84**	$ 86	$ 94	$ 108
Common Share Dividends	**$ 2,490**	$ 2,490	$ 2,490	$ 2,490
Net Earnings as % of Sales	**1.4**	2.2	2.6	3.1
Net Earnings as % of Common Shareholders' Equity	**6.5**	7.8	9.7	11.8
Earnings per Common Share (dollars)	**$ 0.98**	$ 1.17	$ 1.45	$ 1.72
Dividends per Common Share (dollars)	**$ 1.00**	$ 1.00	$ 1.00	$ 1.00
Cash Flow per Common Share (dollars)	**$ 2.75**	$ 2.58	$ 2.90	$ 3.46
Book Value per Common Share (dollars)	**$15.05**	$15.07	$14.89	$14.47
Working Capital	**$ 26,282**	$ 27,097	$ 32,743	$ 35,090
Bank Advances	**$ 23,148**	$ 21,111	$ 3,406	$ 4,711
Long-Term Debt	**$ 30,195**	$ 25,249	$ 22,811	$ 23,459
Capital Expenditures	**$ 2,767**	$ 2,801	$ 2,601	$ 2,109
Depreciation	**$ 4,134**	$ 3,217	$ 3,324	$ 4,108
Common Shares Issued	**2,489,622**	2,489,622	2,489,622	2,489,622
Shareholders	**4,847**	4,926	5,072	5,318
Employees	**6,655**	5,197	5,181	5,224

1966	1965	1964	1963	1962	1961
$142,015	$133,867	$112,402	$100,279	$110,009	$100,801
$ 5,175	$ 5,830	$ 3,720	$ 1,700	$ 1,690	$ 1,235
$ 5,428	$ 5,183	$ 3,536	$ 1,897	$ 1,642	$ 2,152
$ 121	$ 144	$ 162	$ 182	$ 182	$ 182
$ 2,454	$ 1,729	$ 1,114	$ 810	$ 810	$ 810
3.8	3.9	3.2	1.9	1.5	2.1
15.4	16.4	12.6	6.6	6.2	8.6
$ 2.13	$ 2.06	$ 1.38	$ 0.70	$0.60	$0.81
$ 1.00	$ 0.58	$ 0.42	$ 0.33	$0.33	$0.33
$ 3.59	$ 3.41	$ 2.56	$ 1.65	$1.67	$1.89
$13.79	$12.58	$10.95	$10.04	$9.67	$9.40
$ 15,723	$ 18,238	$ 15,017	$ 18,814	$ 19,164	$ 17,562
$ 19,679	$ 16,819	$ 11,038	$ 8,678	$ 14,172	$ 12,449
$ 4,945	$ 5,592	$ 7,937	$ 8,782	$ 9,627	$ 10,472
$ 9,668	$ 6,096	$ 6,876	$ 4,003	$ 2,339	$ 1,991
$ 3,637	$ 3,292	$ 2,874	$ 2,290	$ 2,586	$ 2,613
2,489,622	2,441,622	2,435,622	2,429,622	2,429,622	2,429,622
5,329	4,430	4,404	5,062	5,231	5,327
5,607	5,261	4,240	4,210	4,725	4,670

Operations

In spite of the effects of the restrictive monetary policies designed to reduce inflationary pressures in Canada, United States and other countries where Canron markets its products, 1970 was a satisfactory selling year for the company.

The additional shipments from our two most recent acquisitions, Matisa and Warren Pipe, were responsible for the major portion of the increase in sales to a record level of $177 million. Water pipe sales, severely cramped in the earlier months by a marked lack of municipal projects, showed a sharp upturn in the last quarter of the year. Machinery and equipment sales were at record levels and our subsidiary, Pacific Press, managed to hold its own in a depressed United States tool market.

Prospects of increased sales of electrical equipment disappeared, however, with the three months work stoppage at our Lachine plant. A satisfactory volume of railway track maintenance equipment sales was obtained before the United States market was depressed in the latter half of the year by tight money conditions and the severe financial strains that occurred in the railway industry. In a period that was generally quiet for the construction industry, the company's structural steel sales benefited from a demand for work of a type and size particularly suited to our capabilities.

The Mechanical Division has begun the manufacture of a multi-million dollar electrolytic tinning line under a contract awarded by one of the major Canadian steel companies. Delivery is scheduled for completion in the early part of 1971. A number of mechanical presses valued at more than a million dollars were produced at the Trois-Rivières plant for a supplier to the automotive industry. Shipments of Canron pulp bleaching equipment increased during the year, following a renewed expansion and modernization in the pulp and paper industry.

The Pipe Division secured a satisfactory volume of large contracts from customers throughout the country, among them the cities of Montreal and Valcourt in Quebec, Hamilton and Mississauga in Ontario, and Vernon, British Columbia. Sales of plastic pipe are also continuing to grow at a highly satisfactory rate. The increased demand for PVC pressure pipe from the irrigation and municipal markets was especially evident throughout the year.

TOP, FAR LEFT: Steel framework for Dofasco melt shop extension at Hamilton, Ontario.

TOP: Installation of 90″ diameter prestressed reinforced concrete pipe for the City of Hamilton.

BOTTOM: 1000 ton Pacific hydraulic tandem press brake. Used in the manufacture of light poles, shipbuilding, aircraft and general fabricating.

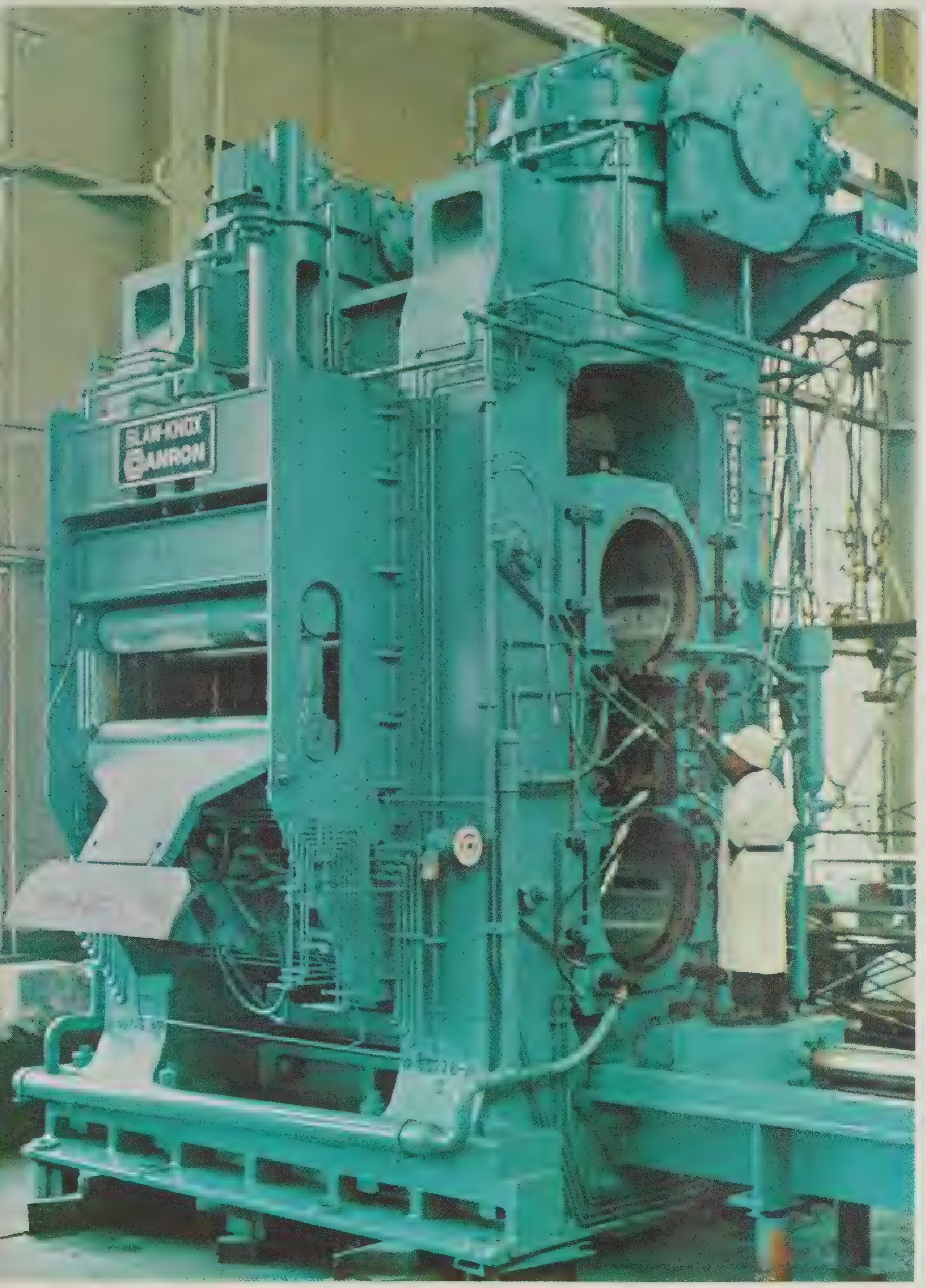
Excellent progress has been made by Eastern Structural Division on the thirty-thousand ton steel frame structure of the high rise Commerce Court building in Toronto. It is expected that this unusually large contract, a joint venture with Dominion Bridge, will be completed ahead of schedule early in 1971. Structural steel sub-systems manufactured in accordance with the Metropolitan Toronto School Board's Study of Educational Facilities (SEF) program have now been supplied and erected by the Anthes-Canron consortium. An important contract for the supply of twelve thousand tons of structural steel for a Falconbridge Nickel Mines Limited smelter in the Dominican Republic was completed in a satisfactory manner.

Most of the capacity of the Western Bridge Division's plant in Vancouver was committed to a single massive project: the production of two giant highway interchanges involving a total of twenty-two thousand tons of fabricated structural steel. This division also supplied and installed three modern large container-handling cranes — one for the port of Vancouver and two in Halifax.

Railway track maintenance equipment was sold on a world-wide basis. Orders were received from Chile, Finland, Ghana, Great Britain, Italy, New Zealand, Poland, Spain and Yugoslavia. Another major order was received from the Canadian National Railways for delivery by mid-1971. A large contract obtained during the year from the Western Australia Government Railways to rebuild seven hundred miles of track will extend over a period of three-and-a-half years.

Our newest division, Warren Pipe, located at Phillipsburg, New Jersey, was operating at close to capacity in the latter part of the year in order to keep up with the growing demand for water pipe in the northeastern United States. The plant is ideally located to service this highly populated market area and the outlook for this division is excellent.

Exports accounted for about 14% of the total volume produced in the company's Canadian plants. For example, we delivered a large mill, designed for the cold rolling of aluminum strip, to India. A considerable volume of ductile iron pipe was exported to the Caribbean area. Iron castings, electric generators, and structural steel were shipped to the United States and the company is building a large hotel and office building in Bermuda as well as a steel arch bridge in the Cameroons.



TOP, FAR LEFT: Eight Canron motor-generator sets provide "no-break" power to control circuits of high voltage D.C. transmission line at Nelson River, Manitoba.

TOP: Cold rolling mill at Canron's Trois-Rivières plant prior to shipment to Indian Aluminum Company.

BOTTOM, LEFT: Iron castings for Canron hydrants at St. Thomas plant.

BOTTOM, CENTER: Fremont bridge approaches. Aerial view of east interchange at Portland, Oregon, assembled at Canron's Vancouver plant.

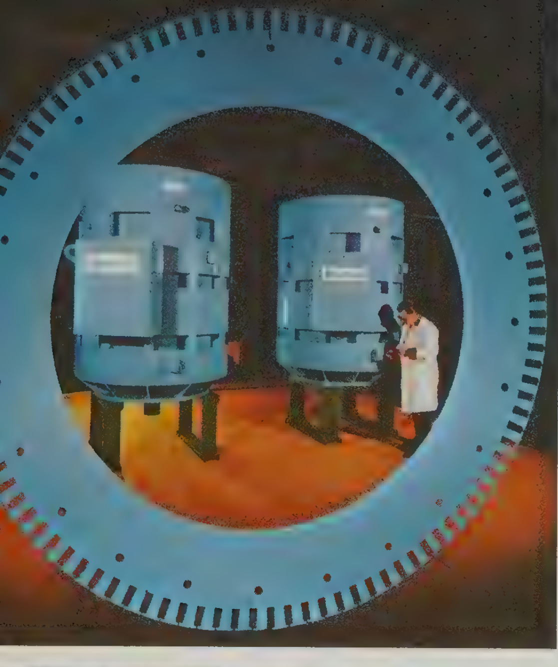
BOTTOM, RIGHT: Shipment of Canron cast iron water pipe from Canron's new plant at Phillipsburg, N.J.

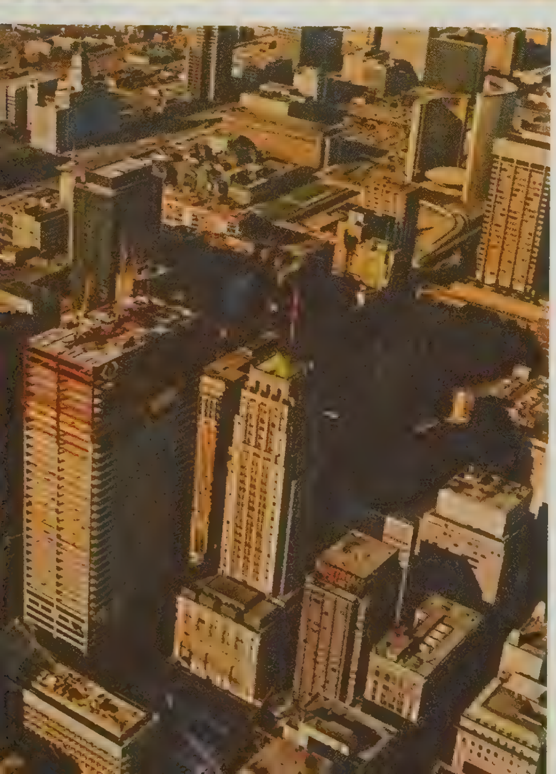
We have introduced a radically new design of hydraulic pipe coupling to the North American market. Known as the "Straub" coupling, it has been tested in many applications and has proven to be very successful in reducing installation costs. First shipments of this product from our new plant at London, Ontario, were made to distributors in Canada and the United States, prior to year end. Canron has also pioneered new techniques employing the centrifugal method of applying concrete to pre-stressed pipe, a process that will be used on pipes of far larger diameter than ever before. Manufacturing methods have been developed to produce a type of cast iron pipe with superior wear resistant qualities for use in the mining industry and thermal power plants.

Advances in railway track maintenance equipment design have produced the Auto Graphliner employing the principle of a photoelectric eye to control tamping and surfacing operations. The recently introduced Bilectromatic tamper which surfaces and lines track at approximately 2,500 feet an hour requires only one machine operator and is recognized as one of the most efficient machines available for this type of work. Continuing development in our line of machine tools has resulted in the production of a versatile hydraulic press known as the "Draw Pressformer" with special application to the deep forming of metal parts. Major equipment changes in the ingot mould foundry have also been made to improve the quality of the products.

As part of our program of air pollution abatement, extensive investigation has been carried out to determine the most effective methods of improving operating conditions in the foundry industry. Equipment to be installed during 1971 will involve expenditures approaching one million dollars.

The growth anticipated in the Canadian economy during the second half of 1971 together with easier money conditions, should advance the starting dates of many construction projects which were postponed last year. Prospects have improved for renewed activity in the capital equipment market in those areas where our products have gained an excellent reputation. Recently announced plans for pipeline expansion indicate that extremely good sales may be expected in the coming year. The anticipated increase in housing construction during 1971 should create strong growth in the water pipe market. New equipment has been installed in our plants to meet these anticipated demands. The market for fractional horsepower electric motors has improved and a higher level of sales is expected throughout 1971. The United States Government's program to improve railway safety standards is expected to give a strong boost to the demand for new and modern railway track maintenance equipment.





TOP, FAR LEFT: New Matisa crib and shoulder consolidator used in railway track maintenance work.

TOP: Two 2000 HP 600 RPM Tamper solid shaft motors, framed by a stator lamination, for installation in a nuclear power plant.

CENTER: Junior Electromatic Tamper with a Junior Foreman, designed and manufactured by Tamper, Inc.

BOTTOM, LEFT: The 57-storey Commerce Court Tower at the 37th floor level. Fabricated and erected by Canron and Dominion Bridge for the Canadian Imperial Bank of Commerce, Toronto.

BOTTOM, CENTER: A 400 ton press for the automotive industry under assembly at Trois-Rivières plant.

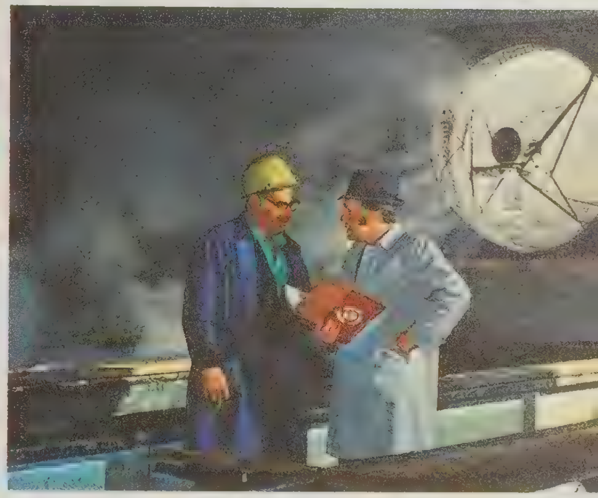
During 1970 a total of thirteen collective agreements were concluded after lengthy negotiations — wages and benefits being the contentious items. An exception occurred at the Lachine plant where the main issue concerned proposed restrictions on management's authority to plan and direct operations and this resulted in a three months strike.

We continued to help employees improve their skills and abilities by in-plant training and outside management development seminars and courses. An employee induction training program at the Columbia, South Carolina, plant has proved successful in reducing the excessively high rate of labour turn-over at this location.

The Group Health and Welfare Plan has been modified to integrate with Quebec Medicare. Long-term disability insurance provisions have been made available on a uniform basis to all employees in Canada. The Matisa benefit programs were reviewed and disability pensions integrated with existing retirement plans.

Employees are encouraged, as always, to participate in joint labour-management safety committees. The company places great emphasis on the importance of comprehensive accident prevention programs at all of its plants.

Several management appointments were made during the year—I. C. Ferrier as Vice-President, Operating Controls; R. J. Conrath as Vice-President and General Manager of Railway & Power Engineering Corporation, Limited; J. M. Gandy as General Manager, Foundry Division; A. G. Hyde as General Manager, Warren Pipe Division; and R. A. St. Louis as General Manager, Plastic Pipe Division.



BOTTOM, FAR LEFT: Loading wharf on the St. Lawrence River near Levis, Quebec, for the Golden Eagle Oil Company.

TOP: 400 ton Pacific hydraulic press brake forms aluminum sections for the Boeing 747 aircraft.

LEFT: A container crane manufactured and erected by Canron is shown loading a ship (lower left) at Vancouver's busy Centennial Pier.

TOP, RIGHT: Tamper heavy duty brush cutter in action on a railway line.

BOTTOM, RIGHT: 60″ Lau Propellair Fan, supplied by Railway & Power, exhausts corrosive fumes from tanks at Toronto Cadmium Plating and Tinning Company.

Divisions and Subsidiaries

CANRON

Eastern Structural Division

W. S. Cullens, *General Manager*
100 Disco Road, Rexdale, Ont.
Plants: Rexdale, Ottawa, Ont.

Electrical Division

K. C. Hague, *General Manager*
160 St. Joseph Blvd., Lachine, Que.
Plants: Lachine, Que.; Napanee, Ont.

Foundry Division

J. M. Gandy, *General Manager*
169 Eastern Avenue, Toronto, Ont.
Plants: Hamilton (2), St. Thomas, Toronto, New Liskeard, Cobalt, Ont.

Mechanical Division

D. J. LaFontaine, *General Manager*
160 St. Joseph Blvd., Lachine, Que.
Plants: Trois-Rivières, Que.; London, Ont.

Pipe Division

J. G. Dunlop, *General Manager*
10350 Ray Lawson Blvd., Ville d'Anjou, Que.
Plants: Ville d'Anjou, Trois-Rivières, Que.; Rexdale, Toronto, Ont.

Plastic Pipe Division

R. A. St. Louis, *General Manager*
10350 Ray Lawson Blvd., Ville d'Anjou, Que.
Plants: Rexdale, Ont., Berthierville, St. Jacques, Que.

Warren Pipe Division

A. G. Hyde, *General Manager*
183 Sitgreaves St., Phillipsburg, N.J.
Plant: Phillipsburg, N.J.

Western Bridge Division

H. L. Warner, *General Manager*
145 West First Ave., Vancouver, B.C.
Plants: Vancouver, B.C.; Edmonton, Alta.

Matisa Matériel Industriel S.A.

B. Benz, *President*
Arc-en-Ciel 2, Crissier, Switzerland
Plants: Crissier, Renens, Switzerland; Palomba, Italy; Bielefeld, West Germany

Pacific Press & Shear Corp.

E. W. Pearson, *President*
421 Pendleton Way, Oakland, Calif.
Plant: Mt. Carmel, Ill.

Tamper Inc.

J. K. Stewart, *President*
2401 Edmund Road, West Columbia, S.C.
Plants: West Columbia, S.C.; Chicago, Ill.; Lachine, Que.; Melbourne, Australia.

Railway & Power Engineering Corp., Ltd.

R. J. Conrath, *Vice-President and General Manager*
3745 St. James St. W., Montreal, Que.
Warehouses: New Glasgow, N.S.; Montreal, Que.; Toronto, Hamilton, Ont.; Winnipeg, Man.; Edmonton, Alta.; Vancouver, B.C.

Products

Electrical

Alternators
Electric Motors
Generators D.C.
Traction Equipment
Variable Speed Drive Systems

Foundry

Ingot Moulds
Industrial Wheels
Tunnel Liners
Grey Iron Castings
Grinding Balls
Grinding Billets
Mill Liners
Mine Cages
Mine Cars
Mine Skips
Alloy Iron Castings
  Ductile Iron, Domite CM
  Ni-Resist, Ductile Ni-Resist
  Ni-Hard, High Chrome Alloy

Machinery and Mechanical

Hydraulic Press Brakes
Hydraulic Presses and Shears
Mechanical Presses
Steel Mill Machinery
Pulp and Paper Mill Machinery
Rubber and Plastics Machinery
Custom Machinery
Speed Reducers and Increasers
Gear Units
Valves
Expansion Joints

Pipe

Grey and Ductile Iron Pipe
Concrete Pressure Pipe
Plastic Pipe
Fittings
Municipal Castings
Hydrants
Sluice Gates
Couplings

Railway Track Maintenance

Fully Automatic Ballast Tampers
Power Tamping Jacks
Track Liners & Switchers
Switch Tampers
Spike Pullers and Drivers
Cross-tie Renewers
Rail Bolters, Drills and Lubricators
Snow Blowers
Ballast Cleaners, Regulators
Ramming Machines
Track Laying and Lifting Equipment
Rail Welding and Reconditioning Equipment
Track Recording Cars
Push and Motor Cars
Brush Cutters
Rail Saws

Structural Steel

Structural Steel for Buildings and Bridges (fabrication and erection)
Steel Joists
Warehouse Steel
Towers
Hydraulic Gates
Bulk Loading Terminals
Container Cranes
Gantry Cranes
Conveyor Systems
Microwave Structures
Tanks and Plate Work
Shipping Containers
Galvanizing

Agency Sales

Rail, Truck, Bus and Aviation Products
Stainless Steels
Instrumentation and Electronic Products
Hydraulic and Pneumatic Products
Vibration Absorbers
Materials Handling Equipment
Valves
Plastics
Trackwork and Related Supplies
Air Moving and Conditioning Equipment

CANRON
LIMITED

PRINTED IN CANADA

CANRON LIMITED

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Canron Limited will be held on Wednesday, April 8, 1970, in Le Salon Viger B, Le Château Champlain Hotel, Montreal, Quebec, at 11:00 A.M. for the purpose of:

(1) receiving the 1969 Consolidated Financial Statements and the Auditors' Report thereon;

(2) electing Directors;

(3) appointing Auditors; and

(4) transacting such other business as may properly come before the Meeting.

BY ORDER OF THE BOARD,
P. M. DRAPER
Secretary

MONTREAL, Que., March 16, 1970.

(It is important that your shares be represented at the above Meeting. If you are unable to attend, please sign and return the enclosed proxy promptly.)

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by the management of Canron Limited (the "Company") of proxies to be used at the Annual General Meeting of the Company's shareholders to be held on April 8, 1970. The expenses of the solicitation will be borne by the Company.

APPOINTMENT OF PROXY

A shareholder has the right to appoint a proxy to represent him at the Annual General Meeting other than the persons whose names are printed as proxies in the accompanying form of proxy, by striking out the said printed names and by inserting the name of his chosen proxy in the blank space provided for that purpose in the form of proxy.

REVOCABILITY OF PROXY

A shareholder who executes and returns the accompanying form of proxy may revoke such proxy by notice in writing to the Company at any time before it is voted.

VOTING SHARES

As of March 1, 1970, there are outstanding 2,489,622 common shares without nominal or par value of the Company. Each common shareholder of record at the time of the Annual General Meeting shall be entitled to one vote at such meeting for each common share registered in his name on the books of the Company.

ELECTION OF DIRECTORS

The Board of Directors consists of fourteen directors to be elected annually. Each director will hold office until the election of his successor unless he shall resign or his office become vacant by death, removal or other cause in accordance with the By-laws of the Company.

The persons named in the accompanying form of proxy for use at the Annual General Meeting intend to vote for the election of the nominees whose names are set forth below. The management of the Company does not contemplate that any of the nominees will be unable, or for any reason will become unwilling, to serve as a director but, if that should occur for any reason prior to the election, the persons named in the accompanying form of proxy reserve the right to vote for another nominee in their discretion.

Nominees for Directors and Principal Occupation	Date became Director of Company	Approximate number of Common Shares of the Company beneficially owned, directly or indirectly, as of March 1, 1970
Douglas W. Ambridge, Honorary Chairman, Abitibi Paper Company Ltd. Manufacturer, pulp & paper products.	March 25, 1955	300
R. James Bailie, Executive Vice-President, Operations of the Company.	December 31, 1967	9,500
William J. Bennett, President, Iron Ore Company of Canada, Iron ore producer.	February 23, 1967	50

Nominees for Directors and Principal Occupation	Date became Director of Company	Approximate number of Common Shares of the Company beneficially owned, directly or indirectly, as of March 1, 1970
R. Kenneth Carty, Executive Vice-President, Finance of the Company.	December 31, 1967	100
John S. Dinnick, Chairman of the Board, McLeod, Young, Weir & Company Limited, Investment dealers.	November 24, 1964	300
John C. Gilmer, President, Canadian Pacific Air Lines, Limited, Air transportation.	May 21, 1969	50
Charles L. Gundy, Chairman, Wood Gundy Securities Limited, Investment dealers.	December 29, 1950	800
John G. Kirkpatrick, Q.C. Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault Advocates.	April 21, 1959	1,050
Howard J. Lang, Chairman and President of the Company.	July 21, 1960	29,295
Jean-Claude Lessard, Consultant, Hydro-Québec, Electric Power Utility.	—	100
Maxwell W. Mackenzie, Vice-Chairman of the Company.	April 17, 1961	1,000
Alan D. McCall, Chairman of the Board, Drummond, McCall & Co. Limited, Metal distributors.	April 18, 1940	3,000
Charles Perrault, President and General Manager, Casavant Frères Limitée, Pipe Organ Manufacturer.	—	20
Frank H. Sherman, President and Chief Executive Officer, Dominion Foundries & Steel Ltd., Steel manufacturers.	February 23, 1967	100

During the previous five years, Mr. Gilmer has been Executive Vice-President and President of Canadian Pacific Air Lines, Limited, Mr. Lessard has been President of, and Consultant to, Hydro-Québec and Mr. Perrault has been President and General Manager of Casavant Frères Limitée.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year ended December 31, 1969, (a) the aggregate direct remuneration paid or payable by the Company and its subsidiaries to Directors and Senior Officers was $473,569, and (b) the estimated aggregate cost of all pension benefits proposed to be paid by the Company and its subsidiaries to Directors and Senior Officers in the event of retirement at normal retirement age was $45,634. Pursuant to an agreement with one of its senior officers, the company proposes to pay him in each year up to a maximum of nine years while he remains in the employ of the Company an amount of at least $100,000 and in each year following termination of such employment during his lifetime a sum, which will vary with the date of termination, up to a maximum of the difference between $50,000 and the aggregate of the payments to him in such year under the normal retirement or pension plans of the Company and its subsidiaries. For several years the Company has paid incentive compensation to directors, officers (including Senior Officers) and employees of the Company based on the performance of the Company during the preceding year and the respective contributions by such officers and employees to such performance. The basis of such incentive compensation is reviewed annually and there is no commitment by the Company extending beyond the year in respect of which such review is made. No amount has been specifically set aside or accrued in respect of future payments nor has the basis of future payments to Directors and Senior Officers been determined.

APPOINTMENT OF AUDITORS

McDonald, Currie & Co., chartered accountants, are the auditors of the Company and the persons named in the accompanying proxy for use at the Annual General Meeting intend to vote for the reappointment of such auditors.

OTHER MATTERS

The management of the Company is not aware of any amendments or variations to the matters identified in the Notice of the Annual General Meeting of the shareholders or of any other matters which may properly come before the said meeting. However, if any amendments or variations or other matters should properly come before said meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such matters in accordance with their best judgment.

Dated at Montreal, Quebec, March 1, 1970.

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